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WOULD MILITARY ALLIANCE PRODUCE HEMISPHERE UNITY?

AS Congress debates President Truman's program to check communism in the eastern Mediterranean, there is evidence that the Administration is reviewing policy in the Western Hemisphere in the light of what it regards as the enhanced need for a hemisphere-wide military agreement. At the Pan American Union meeting on April 14 Senator Arthur H. Vandenberg stressed the importance of reviving the practice of frequent consultation among the American Republics, referring specifically to the repeatedly postponed Rio de Janeiro Conference. This was to have put teeth in the Act of Chapultepec. He also expressed the hope that Canada would associate itself "on some appropriate basis" with the Pan American Union, and—by inference—that Argentina would once more become a functioning member, so that "our continental brotherhood would be complete from the Arctic Circle to Cape Horn." President Truman himself lent his prestige to the renewed efforts to persuade Argentina to comply with the conditions this country has set for the convening of the Rio Conference when he received Argentine Ambassador Oscar Ivanissevich on the eve of the latter's departure for Buenos Aires.

LET BYGONES BE BYGONES? Two considerations have hitherto blocked realization of the hemispheric military agreement. The first was that this regional pact would encourage the consolidation of the Russian bloc and correspondingly weaken the authority of the United Nations. This argument has lost strength with the march of events. The second, more difficult, obstacle has been Washington's refusal to be associated in a defense pact with an Argentine government which has failed to fulfill the terms of earlier continental security measures and which, in the view of some members of the Administration, has been influenced, if not inspired, by

European fascism. Following this line of reasoning, the State Department has continued prodding the Casa Rosada to comply with its minimum international commitments. At the same time, it has kept a watchful eye on those Argentine commercial and financial activities abroad which might have the effect of undermining the independence of neighboring states.

Since 1945, however, there has been a gradual but unmistakable modification of policy both in the United States and in Argentina. Nazi influences, in the form of German propaganda, tangible assets and educational and cultural organizations, are no longer as conspicuous in Argentina as when the war ended. The United States, for its part, has come to believe that the presence of isolated Fascist forces in Latin America is not as dangerous to this nation's security as the existence of a dynamic native Communist movement. In their desire to remove the remaining obstacle to the program of standardization of arms and equipment, influential members of the Administration are now disposed to place a kindlier interpretation on Argentina's domestic and foreign policy, and even to admit some element of justice in that nation's claim to political and economic leadership in the southern continent. On April 14 Robert B. Chipfield, Republican, of Illinois, chairman of the Western Hemisphere Subcommittee of the House Foreign Affairs Committee, urged settlement of differences between this country and Argentina on the ground that the delay "is hurting our friendship with the nations to the South."

Since Senator Vandenberg is an outspoken opponent of the so-called Braden policy, the fact that he was invited to give the keynote address on Pan American Day indicated Latin American criticism of Washington's "use of the veto" over inter-American

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consultative processes. In the first place, the small Latin American nations have never really transferred to the United Nations their allegiance to the inter-American system. In Latin America, too, the tide of anti-Communist feeling is running high. Latin American governments are more concerned about checking the spread of communism than about stamping out vestiges of the subversive Fascist movement in Argentina and elsewhere. Official opinion in Latin America, therefore, favors prompt implementation of the Act of Chapultepec more as a bulwark against the continuing threat of local minority groups than against any danger of a frontal attack by a non-American power.

HOW STRONG ARE COMMUNISTS? Under the conditions of political ferment and economic distress which have prevailed in Latin America since the end of the war, it is doubtful whether a program of repressing communism by force will prove workable. Communist parties are numerically strong in proportion to the voting population of the continent. At the British Empire Congress of Communist parties in London last January, Latin American parties reported a total membership of 500,200 members (including Puerto Rico), their greatest strength being in Brazil, Cuba and Chile. In Brazil, where the weak Dutra government has compensated for its administrative shortcomings in other respects by severe treatment of Communists (the Communist Youth Union was suspended by execu-

tive order on April 15 and the government has petitioned the Supreme Electoral Tribunal to declare the party illegal under the 1946 constitution), the party made important strides in the January state elections. It claimed 800,000 votes in the country as a whole. In the Federal District Communists won 18 of the 50 seats in the District Council and in the state of São Paulo, where Ademar de Barros, candidate of the Communist-Progressive coalition, was elected governor, Communists claimed 325,000 votes.

Yet Communists in Brazil and throughout Latin America may easily become the prisoners of their own slogans. In failing to assess correctly the extent of nationalist feeling in their countries they have made an important tactical error, as they now apparently recognize. In opposing any policy of co-operation with United States investment capital for the economic development of their countries, they have set themselves against a practical necessity to which non-Communist Latin Americans have generally resigned themselves. At this turning-point in hemisphere affairs a more effective antidote to political extremism than an alliance against communism would be an intensive drive on the part of the American governments to correct those economic maladjustments which have driven some of their people to embrace extremist doctrines.

OLIVE HOLMES

(The first of two articles dealing with hemisphere developments.)

U.S. FACES DIFFICULT ECONOMIC ISSUES IN JAPAN

As Japan completes a month of balloting for officials on all levels of government, it is becoming clearer than ever that the economic situation is the most important political problem in that country. The process of inflation which has been under way since the surrender recently has shown signs of acceleration, notably in the outstripping of wages by prices and in the growth of the note issue. Production, although gaining, is still at a low level; the black market in food, raw materials, and finished goods is rampant; unemployment is widespread; and, as a result of air raids during the war, housing presents a serious urban problem. A distinction, however, must be made between economic conditions in city and country. Although the urban population is hard pressed, the inhabitants of rural areas have been in a better position. This is especially true of farmers with a food surplus to sell in the black market.

MACARTHUR WORRIED. Many changes are necessary to remedy the complex economic situation in Japan. One of these is the development of a firmer, more effective occupation policy on economic issues; another, the creation of a Japanese government which will, within its powers, display some initiative in coming to grips with prices, production

and livelihood. It must be recognized, of course, that many of Japan's economic difficulties are the inevitable result of dislocations resulting from war and defeat, as well as of necessary restrictions attending Allied control. It should also be noted that the occupation authorities have shown an active interest in early settlement of the reparations issue and in steps to permit an increase in Japanese foreign trade—two matters on which action is planned. On April 3, for example, the United States ordered General MacArthur to begin removing Japanese industrial assets for reparations purposes. In taking this step, the United States by-passed the 11-nation Far Eastern Commission, which had been unable to act, largely because of Russian-American disagreement as to whether Manchurian equipment taken by Russia should be considered "war booty" or charged to reparations.

General MacArthur's headquarters has usually taken an optimistic view of occupation developments, but a sobering note has been introduced into recent statements. In a press conference of March 17 the Supreme Commander asked for an early Japanese peace treaty and declared publicly that the economic situation could not be handled satisfactorily under

conditions of occupation. On March 22, in a letter to Premier Yoshida, MacArthur stressed the need for "early and vigorous steps to develop and implement the integrated series of economic and financial controls that the current situation demands." He also stated that "outside assistance is contingent upon full utilization of the indigenous resources, which is entirely a responsibility of the Japanese government."

It is true, of course, that the Japanese authorities have considerable freedom of action in dealing with such matters as the black market, food collections, distribution of raw materials, and encouragement of production. But this power has in practice merely become one of freedom to avoid action, since neither the Yoshida cabinet nor its predecessor, the Shidehara cabinet, has shown any enthusiasm for measures to curb the black market or establish economic controls. The predominant emphasis of the Japanese leaders has been on the need for American economic assistance, not on Japanese self-help, and some observers have come to wonder whether the government does not regard a degree of economic confusion as a useful form of pressure on the United States in seeking reduction of reparations, relaxation of trade restrictions and, at a later date, a substantial loan.

ALLIED COUNCIL DISCUSSES ECONOMICS.

Early in April, at the request of General MacArthur, the Allied Council in Tokyo, an advisory body representing the United States, U.S.S.R., China and the British Commonwealth, centered its attention on issues of economic policy. W. MacMahon Ball, representing the British Commonwealth and India, characterized documents submitted to the Council as "a disquieting record of continuous failure over eighteen months to take the necessary steps to restore the Japanese economy and avoid economic collapse." He added that "the question put to us, although economic on its face, fundamentally is a question of politics." At a subsequent Council meeting on April 16 he stressed the need for control of raw materials, rationing of consumer goods and, if

these measures were carried out, the pegging of wages. The Chinese member, Yorkson C. T. Shen, raised a number of points, including the importance of impartial suppression of black market activities, i.e. steps by the police against major as well as minor offenders.

The main problem is to decide who is to take responsibility for the broad policies required to deal with the Japanese economic situation, and how to make sure that the policies are carried out. Allied orders to the Japanese government cannot accomplish much unless the government develops a more lively interest in economic improvement, or the occupation carefully supervises the Japanese execution of economic directives. The lack of occupation staff available for supervision, however, would make it extraordinarily difficult to oversee a detailed program against inflation. At the same time large-scale intervention by MacArthur's headquarters on the inflation issue would increase the occupation authorities' responsibility for economic developments in the eyes of both the American and Japanese peoples. Yet if matters are allowed to drift economic conditions in Japan will deteriorate further with a consequent increase of criticism of the occupation.

One way out of this dilemma is, as MacArthur suggested, to end the occupation as quickly as possible. But it is clear that, given the many difficulties in the way of a peace treaty, this course could not be adopted in a short time, even if all the Allies agreed on the wisdom of an early withdrawal. Despite the risks and difficulties there seems to be no alternative to a firm decision by the occupation authorities on Japan's economic course in the next few years and on the need for a Japanese cabinet with a more vigorous approach to economic issues.

LAWRENCE K. ROSINGER

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Appropriately published on the second anniversary of Roosevelt's death, this revelation of the peace aims of two great men has prefaces by President Truman and Pope Pius. The introduction and explanatory notes are by Myron C. Taylor whom Roosevelt appointed as personal representative to the Vatican and whose continuance in that post has roused much opposition since the war's end.

The Pageant of Middle American History, by Anne Merri-man Peck. New York, Longmans, Green, 1947. \$4.00

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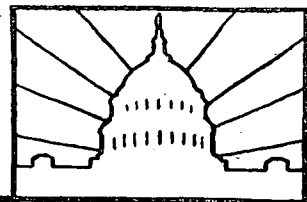
Japan Past and Present, by Edwin O. Reischauer. New York, Knopf, 1946. \$2.00

A useful, extremely brief survey of Japanese history from ancient times to the present day.

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Washington News Letter



REPARATIONS MAIN PROBLEM OF AUSTRIAN TREATY

Barring unforeseen developments, the Moscow Conference may end this week without reaching agreement on any major issues involved in the German peace settlement. Washington is not surprised at this outcome, for the exchange of views which has taken place among the Big Four is regarded here as the most that could have been expected at this stage from the Council of Foreign Ministers. The failure of the conferees to agree to date on a treaty for Austria is viewed with greater disappointment, particularly since all the powers had expressed their desire to complete a draft at this conference. The main issues which have so far blocked agreement on Austria are Yugoslavia's demands for Carinthia and for reparations, the status of displaced persons, and definition of German assets.

DISPLACED PERSONS IN AUSTRIA. The first major issue the Ministers found themselves unable to resolve on April 17, when the Austrian treaty came up on the agenda, was the future of the 450,000 to 500,000 displaced persons now living in the western zones of Austria. Russia charged that these refugees include anti-Communist elements hostile to the governments of the U.S.S.R. and other Eastern European countries, and demanded that they be repatriated within six months after the Austrian treaty goes into effect. Secretary of State Marshall promptly opposed this Russian demand on the ground that it violated the United Nations agreement on displaced persons.

Under that agreement, which was reached by the General Assembly last December despite Russian opposition, an International Refugee Organization is to be established by June to care for all displaced persons who can show that they would face religious or political persecution if they were returned to their homelands. Whether the proposed IRO can shoulder the heavy responsibilities outlined by Secretary Marshall depends in large part on the financial support of the United States. A bill authorizing a contribution of \$73,500,000 to the IRO during 1947-48 was passed by the Senate on March 25, but the measure has not yet been accepted by the House.

CLASH ON GERMAN ASSETS. An even more serious reason for the stalemate on the Austrian treaty has been disagreement between Russia and the Western powers on the disposition of German assets in Austria. At the Potsdam Conference in July 1945 Britain and the United States agreed to renounce all claims to "German foreign assets" in

Eastern Austria—which meant that Russia might include them in reparations collected from Germany—while the U.S.S.R. renounced all rights to German assets in the remainder of Austria. According to the Russian interpretation of this important clause, German foreign assets in their zone of Austria include not only all property which was owned by Germans before *Anschluss* in 1938, but also properties which the Nazis bought for "fair value" or developed after that date. On the basis of this interpretation, Russian occupying authorities in Vienna announced last July that they regarded as German assets some 70 forests and estates and 120 industrial plants.

The Western powers, while agreeing that Austrian properties which the Nazis acquired without force or duress constitute German assets, oppose the procedures the Soviet authorities have thus far suggested for determining whether the Nazis actually employed fair methods in securing ownership. The Russians have taken the view that all plants which they describe as German assets are presumed to have passed under Nazi control in return for "fair value" unless the former owners can offer proof to the contrary. Not only does this Russian procedure run counter to the London Declaration of 1943 concerning property in Axis-occupied countries, but it would permit the Soviet government to be the sole judge of its own claims. Moreover, the Russian authorities, in case they decided in favor of the pre-Nazi owners, would have an option to purchase the property in question. Thus if the Austrian government were able to prove that a particular plant had been acquired by the Germans by unfair means, Austria might nevertheless be unable to regain control of it.

Russia's insistence on an interpretation of "German assets" which would permit the U.S.S.R. to retain its key position in the economy of eastern Austria is due apparently not so much to its own desire for Austrian products as to its hope that Austrian manufactured goods will complement the predominantly agricultural economies of Eastern European nations friendly to the U.S.S.R. The Western powers, for their part, regard it highly desirable that Austria should regain control over as large a portion of its former industry as possible—not only because the United States wants to reduce its present relief burden, but also to prevent the consolidation of an exclusively pro-Russian economic bloc in Eastern Europe.

WINIFRED N. HADSEL